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Summary

About this Release

This paper presents estimates of the economic benefits of completing secondary education in Australia. The purpose of focusing on secondary school education is to highlight the importance of base level education in the production of human capital over life cycles of young men and young women. The distinctive feature of this study is that it attempts to calculate the option values generated by completing secondary education which are the opportunities for obtaining more advanced human capital skills through undertaking tertiary study programs.

This study uses a modified Jorgenson and Fraumeni (1989, 1992) lifetime labour income approach, which measures economic benefits of completing secondary education by additions to lifetime labour incomes due to additional schooling activities. Option values are calculated as differences between alternative lifetime labour incomes associated with the corresponding schooling choices upon completing secondary education.

The empirical results show that option values make up significant proportions of total returns to secondary education, ranging from 20% to 30% for men, and from 28% to 44% for women over the period 1986-2001. In particular, option values become increasingly prominent in recent years which have witnessed strong demand for more educated workers.

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